

ORIGINAL

NEW APPLICATION



0000061351

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

**COMMISSIONERS**

JEFF HATCH-MILLER - CHAIRMAN  
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KRISTIN K. MAYES  
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2006 SEP 25 P 12: 28

Arizona Corporation Commission

**DOCKETED**

AZ CORP COMMISSION  
DOCUMENT CONTROL

SEP 25 2006

E-01749A-06-0616

E-01049A-06-0616

DOCKETED BY

*plu*

IN THE MATTER OF THE JOINT APPLICATION ) DOCKET NOS. E-01749A-06-  
OF GRAHAM COUNTY ELECTRIC ) E-01049A-06-  
COOPERATIVE, INC. AND THE MORENCI )  
WATER AND ELECTRIC COMPANY FOR )  
APPROVAL OF THE SERVICE TERRITORY )  
FRANCHISE AGREEMENT. )  
APPLICATION

Graham County Electric Cooperative, Inc. ("Graham") and The Morenci Water and Electric Company ("MWE") (collectively "the Parties") request that the Commission approve the Service Territory Franchise Agreement ("Franchise Agreement"), entered into between the parties and Phelps Dodge Safford, Inc. ("PD Safford"). Under the Franchise Agreement, MWE will provide electric service to the Phelps Dodge Safford Mine ("PD Safford Mine") which will be located within Graham's certificated area. A copy of the Franchise Agreement is attached as Exhibit A.

Approval of the Franchise Agreement is in the public interest because electric service will be provided to the PD Safford Mine in a cooperative and efficient fashion. In turn, the public will benefit by the PD Safford Mine's operation and economic development will be enhanced in Safford and Graham County. Finally, Graham and its member owners benefit through franchise payments under the Franchise Agreement as well as additional economic development opportunities within the remainder of its service territory.

In support of the Application, the parties state as follows:

1. Graham is a non-profit distribution cooperative organized and existing under the laws of the State of Arizona. Graham's certificate of convenience and necessity ("CC&N") includes the location of the proposed PD Safford mine.

2. MWE is a wholly-owned subsidiary of Phelps Dodge Corporation and is organized and existing under the laws of the State of Arizona. MWE holds a CC&N to provide electric service in an area located in Greenlee County, Arizona. MWE currently supplies, and for a number of years has supplied, the power and energy required for Phelps Dodge mining operations in the Morenci area.

3. PD Safford is a wholly-owned subsidiary of Phelps Dodge Corporation, which is a Delaware corporation authorized and licensed to do business in the State of Arizona.

4. PD Safford anticipates commercial operation in 2007 of new copper mining, milling and electrowinning operations on land it owns in an area north of Safford, Arizona (i.e., the PD Safford Mine). PD Safford prefers that MWE rather than Graham provide it with the power and electricity needed for the operations at the PD Safford Mine. MWE has extensive experience in providing electric service to a similar mining operation, having served Phelps Dodge Morenci for years.

5. Presently, Graham holds a CC&N that includes the PD Safford Mine. At PD Safford's request, the Parties negotiated and have entered into the Franchise Agreement to allow MWE to provide electric service to the PD Safford Mine once commercial operation of the Mine begins.

6. Under the Franchise Agreement, MWE will be responsible for providing the PD Safford Mine with its power and electricity needs. MWE will construct all facilities, including electric transmission, distribution and substation facilities ("needed facilities"), to deliver the energy required to serve the PD Safford Mine. MWE will also arrange for a connecting switchyard to interconnect the needed facilities to the transmission system, including metering and communication equipment acceptable to Graham. Finally, MWE will be responsible for making arrangements to secure and deliver power over the transmission system through the needed facilities for the PD Safford Mine. PD Safford and MWE will enter into an electric service agreement setting forth the terms of service to PD Safford by MWE and that agreement is being submitted for Commission approval in a parallel application to this Application.

1           7.       In exchange for allowing MWE to serve the PD Safford Mine, Graham will receive  
2 a Franchise Charge from MWE under the Franchise Agreement. Graham will bill MWE monthly.  
3 The amount will be determined as detailed in the Franchise Agreement. *See Exhibit A at*  
4 Section 5. The Franchise Charge will be passed on to PD Safford pursuant to the terms of the  
5 electric service agreement between PD Safford and MWE so that other MWE customers will not  
6 bear any of Franchise Charge.

7           8.       Pursuant to its terms, the Franchise Agreement requires approval by the  
8 Commission.

9           9.       The Franchise Agreement is in the public interest for several reasons, including the  
10 following:

- 11           • Graham is willing to accommodate PD Safford's request that MWE build the  
12 needed facilities and supply power to the PD Safford Mine. MWE is willing and  
13 able to serve the PD Safford Mine and PD Safford prefers that MWE be its electric  
14 service provider. Graham will be compensated through the Franchise Charge and  
15 will also be relieved of the capital investment and operating and maintenance  
16 expense necessary to serve the PD Safford Mine. The Franchise Agreement allows  
17 for electric service to be provided efficiently and expeditiously to the PD Safford  
18 Mine once commercial operation commences. The Parties as well as PD Safford  
19 benefit from the Franchise Agreement.
- 20           • Economic development in Safford and Graham County will be enhanced once the  
21 PD Safford Mine goes into commercial operation, including an increased  
22 employment and property tax base. Approval of the Franchise Agreement will  
23 facilitate the direct and indirect economic benefits the PD Safford Mine will  
24 provide this area.
- 25           • Graham will also receive ancillary benefits as a result of the improved economic  
26 climate in Safford and Graham County. Growth associated with the PD Safford  
27 Mine should produce increased revenues for Graham in the remainder of its service

territory to allow it to continue to provide reliable electric service to its member owners at the lowest reasonable cost.

10. The economic development specifically-anticipated to occur includes both direct employment by PD Safford and employment from local contractors and includes the following, as was set forth in the Final Environmental Impact Statement for the PD Safford Mine:

- For the 15-month construction phase, an average of about 470 workers will be employed, with as many as 980 workers expected to be needed during the eighth month of construction.
- For the operational phase of the mine, expected to be at least 16 years, there will likely be about 250 full-time employees of PD Safford. The average annual salary is expected to be \$36,000 per year (1997 dollars), plus benefits.
- Roughly four out of five employees for the operational phase will come from applicants residing in Graham or Greenlee County. This includes some employees currently working at its Morenci Mine.
- Additional direct support for project operations will be needed. PD Safford expects approximately 100 additional persons will be needed to provide that support. Some of these persons will be on-site, while others will provide certain maintenance and fabrication services out of local shops. These positions will be provided through local contractors. Estimated total payrolls for local contractors working at or for the PD Safford Mine will likely range from \$2.5 to \$3.0 million annually.
- Additional jobs will likely be created because direct employees and new employees for local contractors will need additional goods and services.
- Employment opportunities will exist for tribal members of the San Carlos Apache Reservation, due to the proximity of the PD Safford Mine. Opportunities for direct employment by PD Safford and local contractors will be available.

11. The Franchise Agreement will have no effect on the tariffs governing service to Graham's and MWE's current customers.

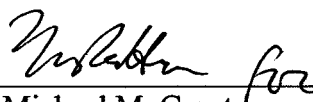
KUSHKA DEWULF & PATTEN, PLC  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

1 WHEREFORE, Graham and MWE request that the Commission issue its Order:


- 2 1) Approving the Franchise Agreement attached as Exhibit A; and  
3 2) Authorizing MWE to provide electric service to the PD Safford Mine under the  
4 terms and conditions set forth in the Franchise Agreement.

5 RESPECTFULLY SUBMITTED this 25<sup>th</sup> day of September 2006.

6 GALLAGHER & KENNEDY, PA

7  
8 By   
9 Michael M. Grant  
10 2575 E. Camelback Road, Suite 1100  
11 Phoenix, Arizona 85004  
12 Attorney for Graham County Electric Cooperative,  
13 Inc.

14 ROSHKA, DEWULF & PATTEN, PLC

15 By   
16 Michael W. Patten  
17 One Arizona Center  
18 400 East Van Buren Street, Suite 800  
19 Phoenix, Arizona 85004  
Attorney for MWE Water and Electric Company

20 Original and 15 copies of the foregoing  
21 filed this 25<sup>th</sup> day of September 2006 with:

22 Docket Control  
23 Arizona Corporation Commission  
24 1200 West Washington Street  
25 Phoenix, Arizona 85007

26 Copy of the foregoing hand-delivered/mailed  
27 this 25<sup>th</sup> day of September 2006 to:

KOSKA DEWULF & FATTEN, PLC  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

- 1 Chairman Jeff Hatch-Miller  
2 Arizona Corporation Commission  
3 1200 West Washington Street  
4 Phoenix, Arizona 85007
- 5 Commissioner William A. Mundell  
6 Arizona Corporation Commission  
7 1200 West Washington Street  
8 Phoenix, Arizona 85007
- 9 Commissioner Mike Gleason  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007
- 13 Commissioner Kristin K. Mayes  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007
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- 21 Lyn A. Farmer, Esq.  
22 Chief Administrative Law Judge  
23 Hearing Division  
24 Arizona Corporation Commission  
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26 Phoenix, Arizona 85007
- 27 Christopher C. Kempley, Esq.  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007
- Ernest G. Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

26  
27 By 

EXHIBIT

"A"

**SERVICE TERRITORY FRANCHISE AGREEMENT**  
**AMONG**  
**PHELPS DODGE SAFFORD, INC.,**  
**THE MORENCI WATER AND ELECTRIC COMPANY**  
**AND**  
**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**



## SERVICE TERRITORY FRANCHISE AGREEMENT

This SERVICE TERRITORY FRANCHISE AGREEMENT (Franchise Agreement) is entered into this 5<sup>th</sup> day of November, 2004, by and among Phelps Dodge Safford, Inc. (Phelps Dodge), The Morenci Water and Electric Company (MW&E) and Graham County Electric Cooperative, Inc. (Graham). Phelps Dodge is a Delaware corporation which is a wholly-owned subsidiary of the Phelps Dodge Corporation and which is authorized and licensed to do business in the state of Arizona. MW&E is a wholly-owned subsidiary of Phelps Dodge Corporation, organized and existing under the laws of the State of Arizona. Graham is a non-profit distribution cooperative organized and existing under the laws of the State of Arizona. Phelps Dodge, MW&E and Graham are referred to collectively herein as the "Parties".

WHEREAS, MW&E has been granted a certificate of convenience and necessity (CC&N) to provide utility services in the vicinity of Morenci, Arizona in Greenlee County;

WHEREAS, Phelps Dodge anticipates commercial operation in 2007 of new copper mining, milling and electrowinning operations on lands owned or controlled by it in the area north of the city of Safford, Arizona (PD Safford Mine);

WHEREAS, Graham has been granted a CC&N to construct electric distribution facilities and deliver electricity within certain portions of Graham County, including the site of the PD Safford Mine (Graham Service Territory);

WHEREAS, MW&E prefers to construct or arrange for the construction of all electric transmission and distribution line and substation facilities and to deliver energy required to serve the PD Safford Mine;

WHEREAS, Phelps Dodge prefers that the electric power and energy to be consumed within the PD Safford Mine be provided by or through MW&E; and

WHEREAS, Graham is willing to provide a franchise right to MW&E (i) to construct facilities necessary to supply energy and (ii) to supply energy to be consumed only within certain boundaries of the PD Safford Mine (such boundaries are precisely identified on Exhibit A hereto and are referred to herein as the "PD Safford Area") in exchange for the consideration set forth in this Franchise Agreement;

NOW, THEREFORE, in consideration of the premises set forth above and for other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, the Parties mutually agree as follows:

### Section 1. Effective Date.

This Franchise Agreement shall be effective upon its execution by the Parties (Effective Date), subject to the receipt of a final, non-appealable order of the Arizona Corporation Commission (ACC) specifying its approval. Graham shall promptly submit this Franchise Agreement to the ACC for its approval. Phelps Dodge and MW&E shall provide all necessary assistance to Graham in seeking ACC approval. Should the ACC reject the Franchise Agreement or require as a condition of approval of the Franchise Agreement any material changes or material modifications that are unacceptable to any Party, the Parties shall negotiate in good faith to attempt to modify, within 60 days of receipt of notice of such rejection or unacceptable requirement(s), this Franchise Agreement so as to attempt to secure the approval of the ACC.

### Section 2. Termination.

After the Effective Date, this Franchise Agreement shall remain in effect for a period of ten (10) years beyond December 31 of the calendar year in which the power and energy consumed within the PD Safford Area (PD Safford MW&E Loads) are first and continuously served by power and energy not supplied by Graham at a level of 10 MW or higher for three (3) consecutive months over transmission and distribution facilities constructed by MW&E (Initial Franchise Period) and shall continue in effect for subsequent five (5) year extension periods beyond the Initial Franchise Period, unless and until terminated by a Party, as follows:

2.1 This Franchise Agreement may be terminated by Phelps Dodge and MW&E or by Graham as of the end of the calendar year of the Initial Franchise Period or at the end of any subsequent five (5) year extension period that has occurred after the end of the Initial Franchise Period (Subsequent Period).

2.2 To exercise its right to terminate this Franchise Agreement, Phelps Dodge and MW&E or Graham shall provide written notice to the other(s) at least one year and one day in advance of the end of the Initial Franchise Period or any Subsequent Period.

Upon termination of this Franchise Agreement, all rights of MW&E to construct, operate and maintain electric facilities and provide power and energy within the PD Safford Area shall cease. MW&E shall not be required to relinquish ownership of the facilities that have been constructed for the purpose of serving the PD Safford MW&E Loads.

### Section 3. Franchise Agreement.

For the term of this Franchise Agreement and with respect to the PD Safford Area, excluding the loads existing within the PD Safford Area that are currently served from Graham's two (2) distribution circuits located within the PD Safford Area and any expansions of such loads (Graham Loads), Graham grants to MW&E the rights to:

3.1 Construct, own, operate and maintain the electric distribution facilities required to serve the PD Safford MW&E Loads;

3.2 Construct, own, operate and maintain a transmission line or lines connecting the PD Safford MW&E Loads with other transmission system(s); and

3.3 Secure power and energy for delivery over the facilities referred to in Sections 3.1 and 3.2, which shall comprise the PD Safford Electric System, to which all PD Safford MW&E Loads shall be connected.

Such rights on the terms granted by this Agreement shall extend only to the boundaries of the PD Safford Area and neither Phelps Dodge nor MW&E shall by any action including, but not limited to, the filing of an application with the ACC seek to extend or modify the boundaries of the PD Safford Area or the terms of this Agreement. Phelps Dodge and MW&E expressly acknowledge that (i) a material inducement and consideration for Graham to enter into this Franchise Agreement is its right and ability to continue to serve loads outside the PD Safford Area and (ii) any breach of this condition would cause immediate, irreparable harm not compensable solely by monetary damages which may be redressed by equitable relief. Nothing herein, however, shall restrict MW&E's ability to extend its CC&N in areas which are outside of the Graham Service Territory.

#### Section 4. Facilities to be Provided.

4.1 For the PD Safford Area, MW&E shall provide the following:

4.1.1 All electric transmission and distribution line and substation facilities of the PD Safford Electric System;

4.1.2 All arrangements for developing a connecting switchyard to interconnect the PD Safford Electric System with the transmission system (Connecting Switchyard), including the metering and communications equipment required to monitor and bill for the Franchise Charge associated with the demand and energy passing through the Connecting Switchyard to the PD Safford Electric System, which metering and communications equipment shall be acceptable to Graham; and

4.1.3 All arrangements needed to deliver power and energy over transmission systems from the source of such power and energy for the PD Safford MW&E Loads.

4.2 For the PD Safford Area, Graham shall provide the following:

4.2.1 All electric distribution system improvements required by Graham Loads and, if requested by Phelps Dodge, for the delivery of construction power and energy for the pre-commercial phase of the PD Safford Mine pursuant to necessary line extension or other contractual arrangements with Phelps Dodge; and

4.2.2 All construction power and energy pursuant to its tariffs and/or a construction power agreement, if requested by Phelps Dodge.

#### Section 5. Franchise Charge.

So long as this Franchise Agreement is in effect, Graham shall bill to MW&E and MW&E shall pay Graham monthly in accordance with Section 6 a monthly franchise charge determined as follows (Franchise Charge):

5.1 In the Initial Franchise Period, the Franchise Charge shall be the applicable of:

5.1.1 For so long as the PD Safford MW&E Loads do not exceed a monthly peak demand of 10,000 kW, as metered at the Connecting Switchyard, for three consecutive months, the Franchise Charge shall be an amount determined as the product of the Franchise Fee of \$0.00035 per kWh (\$0.35 per MWh) multiplied by the energy of the PD Safford MW&E Load as metered at the Connecting Switchyard; OR

5.1.2 Once the monthly peak demand of the PD Safford MW&E Load (as metered at the Connecting Switchyard) is equal to or greater than 10,000 kW for three (3) consecutive months, the Franchise Charge shall be the greater of: (i) the amount determined as the product of the Franchise Fee multiplied by the energy of the PD Safford MW&E Load as metered at the Connecting Switchyard, but not to exceed \$20,000 per month, or (ii) \$3,000 per month.

5.2 In Subsequent Periods, the Franchise Charge shall be an amount determined as the product of the Franchise Fee multiplied by the energy of the PD Safford MW&E Load as metered at the Connecting Switchyard, but not to exceed \$20,000 per month.

#### Section 6. Billing and Payment.

Each billing period shall be one (1) calendar month (Billing Month). For each Billing Month, the following shall apply:

6.1 Based upon metered data, pursuant to Section 4.1.2, supplied by MW&E, Graham shall bill MW&E with a copy to Phelps Dodge on or before the fifteenth (15<sup>th</sup>) day of the month following the Billing Month for the Franchise Charge. Graham shall have the right to observe monthly meter reads and/or to request and receive data verifying the amount of demand and energy metered at the Connecting Switchyard. The meter(s) maintained at the Connecting Switchyard shall be tested for accuracy at MW&E's expense at least annually and Graham shall have the right to attend such meter tests.

6.2 MW&E shall pay Graham the total of the monthly charge by the later of the 20<sup>th</sup> day of the month or ten (10) days after receipt of the bill. Failing timely payment of the monthly charge by MW&E, Phelps Dodge shall be obligated to pay Graham on the terms specified herein.

6.3 MW&E shall electronically wire transfer funds to a bank of Graham's choice or transmit funds by any other method which provides collected funds on or before payment due date. Amounts not paid by the due date shall be payable by Phelps Dodge or MW&E with interest accrued on each calendar day from the due date to the date of payment. Interest shall accrue at a rate of: (i) the then-effective prime commercial lending rate per annum published in the Money Rates section of The Wall Street Journal, or (ii) in the event the interest rate provided for herein should at any time exceed the maximum rate that may be so legally charged, the maximum rate that may be legally charged by Graham. Should The Wall Street Journal discontinue publication of the prime commercial lending rate, the Parties shall endeavor to agree on an acceptable substitute.

6.4 In the event any portion of any bill is disputed by MW&E, the disputed amount shall be paid, under protest, when due. If the protested portion of the payment is found to be incorrect, Graham shall promptly cause to be refunded to the paying party, either Phelps Dodge or MW&E, any amount due, including interest accrued on each calendar day from the date of payment to the date the refund check is mailed by Graham. The same interest rate and computation method shall be applied to the determination of interest due herein as provided in Section 6.3.

6.5 In the event, as a result of a meter test or otherwise, a Party determines that any metered data is incorrect beyond a limit of one percent (1%) fast or slow, the Franchise Charges for the previous six (6) months, but not to exceed such six (6) month period, shall be presumed to be incorrect as billed and paid (unless demonstrated to the contrary). In such event, Graham and MW&E shall estimate the correction necessary for such metered data to be no more than one percent (1%) inaccurate and additional payment shall be made or amounts refunded, as appropriate, to adjust for such incorrect metered data for such six (6) month period, without interest.

6.6 No payment made to or received by Graham pursuant to this Section 6 shall constitute a waiver of any right of Phelps Dodge, MW&E or Graham to contest the correctness of any monthly charge by Graham or metered data supplied by MW&E; provided, however, that any bill rendered by Graham shall become final and non-contestable if protest is not received or made by Graham within six (6) months of the bill date.

6.7 Graham shall mail or send by telephone facsimile transmission or other electronic means any bills and refunds to Phelps Dodge's or MW&E's billing address as designated from time to time in writing by Phelps Dodge or MW&E. Phelps Dodge's billing address shall initially be: Phelps Dodge Safford, Inc., One North Central Avenue, Phoenix,

Arizona, 85004. MW&E's billing address shall initially be: The Morenci Water & Electric Company, P.O. Box 68, 66 Fairbanks Road, Morenci, Arizona, 85540; fax number: 928-865-5261.

#### Section 7. Notices.

Except only as herein otherwise expressly provided, any notice, demand or request provided for in this Franchise Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or by any other qualified and recognized delivery service, or sent by United States mail postage prepaid to the persons specified below:

To: Phelps Dodge Safford, Inc.  
Manager, Power  
One North Central Avenue  
Phoenix, Arizona 85004

To: The Morenci Water & Electric Company  
President  
P.O. Box 68  
Morenci, Arizona 85540

To: Graham County Electric Cooperative  
General Manager  
Graham County Electric Cooperative, Inc.  
P. O. Drawer B  
9 West Center  
Pima, Arizona 85543

Any Party may at any time, by written notice to the other Party, change the designation or address of the person so specified as the one to receive notices pursuant to this Franchise Agreement.

#### Section 8. Entire Agreement.

The complete agreement of the Parties is set forth in this Franchise Agreement and all prior communications, whether written or oral, are hereby abrogated and withdrawn.

#### Section 9. Amendments.

This Franchise Agreement may be amended by, and only by, a written instrument duly executed by each Party.

**Section 10. Waivers.**

The waiver by any Party of any breach of any term, covenant or condition contained herein shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition contained herein.

**Section 11. Regulatory Authority and Governmental Authority.**

The effectiveness of this Franchise Agreement is subject to its approval by the ACC. Once so approved, the Parties intend that the rates, charges, terms and conditions of service under this Franchise Agreement shall remain in effect unless changed by the mutual agreement of the Parties.

**Section 12. Information Exchange.**

The Parties shall cooperate in the exchange of information between themselves in order to further the purposes of this Franchise Agreement and to verify compliance with the terms of this Franchise Agreement.

**Section 13. Representations and Warranties.**

13.1 Graham represents, warrants and covenants to Phelps Dodge and MW&E as follows:

13.1.1 Graham is a nonprofit electric public service corporation duly organized, validly existing and in good standing under the laws of the State of Arizona and has corporate power and authority to execute and deliver this Franchise Agreement and perform each obligation hereunder, and to carry on its business as such business is now being conducted and as it is contemplated hereunder that it will be conducted during the term hereof.

13.1.2 The execution, delivery and performance of this Franchise Agreement by Graham has been duly and effectively authorized by all requisite corporate action.

13.2 Phelps Dodge Safford, Inc. represents, warrants and covenants to Graham as follows:

13.2.1 Phelps Dodge is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware and authorized to do business in the State of Arizona and has the power and authority to execute and deliver this Franchise Agreement and to perform its obligations hereunder, and to carry on its business as it is now being conducted and as it is contemplated hereunder to be conducted during the term hereof.

13.2.2 The execution, delivery and performance of this Franchise Agreement by Phelps Dodge Safford, Inc. has been duly and effectively authorized by all requisite corporate action.

13.3 MW&E represents, warrants and covenants to Graham as follows:

13.3.1 MW&E is a corporation duly organized and validly existing and in good standing under the laws of the State of Arizona and has the power and authority to execute and deliver this Franchise Agreement and to perform its obligations hereunder, and to carry on its business as it is now being conducted and as it is contemplated hereunder to be conducted during the term hereof.

13.3.2 The execution, delivery and performance of this Franchise Agreement by MW&E has been duly and effectively authorized by all requisite corporate action.

Section 14. Successors and Assigns.

No Party shall assign its interest in the Franchise Agreement in whole or part without the prior written consent of the other Party. Such consent shall not be unreasonably withheld.

Section 15. Governing Law.

This Franchise Agreement shall be governed and construed in accordance with the laws of the State of Arizona, without giving effect to its conflict of law principles. Jurisdiction shall be in Arizona state courts and venue shall be in the County of Graham.

Section 16. Miscellaneous.

16.1 Counterparts. This Franchise Agreement may be executed in any number of counterparts, and all of which when taken together shall constitute one and the same instrument. The Parties hereto may execute this Franchise Agreement by signing any such counterpart.

16.2 Binding Effect. This Franchise Agreement shall be binding upon the Parties, and their respective successors and assigns.

16.3 Signatures. The signatories hereto represent that they have been appropriately authorized to enter into this Franchise Agreement on behalf of the Party for whom they sign.



IN WITNESS WHEREOF, the undersigned have duly executed this Franchise Agreement as of the date first set forth herein.

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

By: Gene Robert Larson  
Gene Robert Larson  
Its: President

ATTEST:

Mat Pak

Dated: 11-5-04, 2004

PHELPS DODGE SAFFORD, INC.

By: WS Brack  
Its: VP Engineering PDMC

ATTEST:

Ch

Dated: OCTOBER 29, 2004

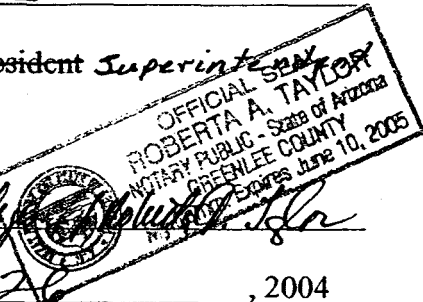
THE MORENCI WATER & ELECTRIC COMPANY

By: Robert A. Taylor  
Its: President Superintendent

ATTEST:

Robert A. Taylor

Dated: Oct. 26, 2004



M

**EXHIBIT A - PD SAFFORD AREA**

**WELL GROUPINGS**

- Shaded area: Well groupings
- Dot: Well location
- Line: Road
- Line: Trail
- Line: Fence
- Line: Boundary
- Line: Water
- Line: Power
- Line: Gas
- Line: Sewer
- Line: Tele
- Line: Cable
- Line: Other

**Legend**

- Shaded area: Well groupings
- Dot: Well location
- Line: Road
- Line: Trail
- Line: Fence
- Line: Boundary
- Line: Water
- Line: Power
- Line: Gas
- Line: Sewer
- Line: Tele
- Line: Cable
- Line: Other

**Scale**

1 inch = 2000 feet

**Project Details**

Project Name	Location	Scale	Date
Dos Pobres / San Juan Project	Safford District	1 inch = 2000 feet	07-06-2004